



STATE OF DELAWARE  
DEPARTMENT OF NATURAL RESOURCES  
AND ENVIRONMENTAL CONTROL

OFFICE OF THE  
SECRETARY

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MEMORANDUM

TO: Arnetta McRae  
FROM: John A. Hughes  
RE: DNREC/Energy Office  
DATE: October 2, 2006

House Bill 6 of the 143<sup>rd</sup> General Assembly has fostered a continuing excellent and productive working relationship between the Department of Natural Resources and Environmental Control (DNREC) and the Public Service Commission (PSC). To date in this particular case, DNREC's Energy Office has participated in numerous meetings and teleconferences in review and selection of our Consultant and in review and comment on the draft Delmarva Request for Proposals (RFP). Our continued participation through selection of the successful RFP bidder and review and approval of Delmarva's Integrated Resource Plan (IRP) is anticipated.

I write today to make a few points about our moving forward on this important project. While the legislation specifically identifies the Energy Office as the cooperator in this effort, the legislation is equally focused on the environmental aspects of the RFP and IRP and the need to meet Delaware's challenges in reducing emissions from existing power suppliers while at the same time promoting clean renewable generation. Our Energy Office has a long distinguished history, both before becoming a part of DNREC and after, of promoting alternative forms of energy. They are well equipped to assist the PSC in that aspect of our work, but they are less qualified and prepared to help with understanding and contributing to the debate concerning existing emissions for power plants and the environmental impacts of energy generation and use.

As we move forward in this process, I understand from reading the legislation that the "Energy Office" and the PSC share equally in the task of approving the RFP. The RFP will be before the two state agencies in mid October and the RFP bids will be considered by all cooperating state agencies early next year. Given the legislative language, the environmental focus noted above and the importance of this effort to the Commission and

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to Delaware, and in my absence, I'd like to formally designate David Small and/or Phil Cherry as my delegates to the Commission for all matters requiring a vote or decision of our collective agencies. Mr. Smisson shall remain integrally involved in this effort and shall serve as an advisor to Messrs. Small and Cherry.

I am aware that the PSC is scheduled tomorrow to consider a motion filed by Mr. Firestone dated September 27, 2006 requesting the Commission to re-schedule the hearing on October 17, 2006. In this instance, and given the procedural nature of the motion, we defer to the Commission to make an appropriate decision.

The relationship between our two agencies in this endeavor is a unique one. The Legislature has vested in the Energy Office – and by extension the DNREC – with the authority to join with the PSC in approving what would otherwise and normally be solely a PSC function. We take that task very seriously and yet cognizant of the primary role exercised by the PSC in matters relating to utility regulation. We look forward to assisting you in this partnership at the upcoming meeting on October 17 and throughout the entire process.

If you should have any questions concerning this memo, please feel free to contact me.

Cc    Bruce Burcat  
      David Small  
      Philip Cherry